

Message Text

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ACTION AF-08

INFO OCT-01 EUR-12 EA-07 ISO-00 EB-07 /035 W

----- 128410

R 131318Z MAY 76

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 4872

USDOC WASHDC

INFO AMEMBASSY LONDON

AMEMBASSY BONN

AMEMBASSY BELGRADE

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

AMEMBASSY THE HAGUE

AMEMBASSY BERN

AMEMBASSY WARSAW

AMEMBASSY BUCHAREST

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E.O. 11652: N/A

TAGS: BENC, ENRG, NI

SUBJECT: PETROLEUM SECTOR PROJECT FOLLOWUP: PIPELINES

REF: LAGOS 4968

1. SUBSEQUENT TO REFTEL, EMBOFF LEARNED PENCOL HAS LAGOS OFFICE, WHICH HAS BEEN HERE THREE YEARS AND HAS SUBSTANTIAL EXPATRIATE STAFF, BUT WHICH MAINTAINS EXTREMELY LOW PROFILE. PENCOL'S MAIN OFFICE IS AT 19 GROSVENOR STREET, LONDON, NOT SQUARE AS REPORTED.

2. PENCOL OFFICIALS, IN KEEPING WITH MINISTRY OF PETROLEUM AND ENERGY'S WISHES, WOULD NOT DIVULGE NAMES OF PRE-QUALIFIED COMPANIES. HOWEVER, THEY DID SAY POTASHNICK WAS NOT PREQUALIFIED. CAPPER-NEILL, NAFTAGAS, AND MCALPINE ALSO HIGHLY DOUBTFUL.

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3. THIS LEAVES 15 OF THE FIRMS IN REFTEL AS SOLID LIST OF

PREQUALIFIERS, INCLUDING TWO FROM U.S. SEVERAL INDUSTRY SOURCES FEEL THAT TOP CONTENDERS ARE WILLIAMS, MANNESMAN, ENTREPOSE, SIAPEM-SNAM PROGETTI, AND MCDERMOTT GROUP. ASIDE FROM BEING WELL QUALIFIED, MOST OF THESE HAVE ACCESS TO EXISTING LOCAL DOCKING AND FABRICATION YARD FACILITIES. FIRST THREE HELD LETTERS OF INTENT ON ORIGINAL PRE-JULY 1975 COUP PIPELINE CONTRACT. SEDCO-BEAN, NHIGHLY QUALIFIED U.S. FIRM WHICH FAILED TO PREQUALIFY DUE ASSOCIATION WITH IMEG, NOW DISCUSSING SUBCONTRACT WITH ENTREPOSE WHICH IS APPARENTLY LOOKING FOR HELP OF THIS CALIBRE TO IMPROVE ITS CHANCES.

4. PENCOL MANAGER SAID DEADLINE FOR BIDS HAS BEEN EXTENDED FROM MAY 25 TO JUNE 22. TARGET DATE FOR COMPLETION OF LINES IS SEPTEMBER 1978.

5. DESCRIPTION OF PIPELINES TO BE BUILD FOLLOWS. NUMBERS INDICATE DISTANCE IN KILOMETERS BETWEEN ADJACENT POINTS. TOTAL IS 2688 KM.

A) PRODUCTS LINE FROM WARRI REFINERY 91 BENIN 104 ORE 155 IKORODU (WHERE MAJOR DEPOT WILL BE LOCATED). LINE CONTINUES NORTH FROM IKORODU 96 IBADAN AND 154 ILORIN. FROM IKORODU, FOUR SMALL PRODUCT LINES WILL RUN TO IGANMU, ONE PRODUCT LINE TO ATLAS COVE JETTY NEAR LAGOS AND ONE AVIATION FUEL LINE TO IKEJA.

B) PRODUCTS LINE NORTHWARD FROM WARRI REFINERY 601 KADUNA 65 ZARIA 135 KANO WITH BRANCH NORTHWEST FROM ZARIA 163 GUSAU.

C) PRODUCTS LINE EAST FROM KADUNA 179 JOS 262 GOMBE 296 MAIDUGURI.

D) PRODUCTS LINE NORTH FROM PORT HARCOURT REFINERY 53 ABA 153 ENUGU 181 MAKURDI.

6. WARRI KADUNA LINE IS INTENDED TO BEGIN CARRYING 3.9 MMT OF PRODUCTS UNTIL 1981 WHEN, ACCORDING TO ORIGINAL PLANS, THIRD REFINERY AT KADUNA WILL BE ON STREAM. THIS LINE WILL BE SWITCHED TO CARRYING CRUDE TO SUPPLY THE REFINERY. MAXIMUM CAPACITY OF THIS LINE WILL BE 5.46 MMT (ABOUT 110,000 BBL/DAY). LIMITED OFFICIAL USE

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7. WILLIAMS INTERNATIONAL REP NOTED SEVERAL ODD ASPECTS OF TENDERS SENT TO PREQUALIFIED CONSTRUCTION-ENGINEERING FIRMS. FIRST, PENCOL DID NOT SPECIFY SIZE OF PIPE ON EACH LINE, BUT INSTEAD SPECIFIED THROUGHPUT CAPACITY UP TO 1980 WHICH CONTRACTOR MUST GUARANTEE. THUS TENDERS FOR SUPPLY OF MAIN LINE PIPE REALLY AMOUNT TO LITTLE MORE THAN MOVE TO RESERVE MILL SPACE SINCE PIPE MANUFACTURES HAVE NO SPECIFIC DIMENSIONS

TO QUOTE ON. IN ADDITION, CONTRACTOR MUST AGREE TO PICK UP
PIPE WHEREEVER IT COMES FROM. THUS CONSTRUCTION BIDS WILL
HAVE TO INCLUDE PROVISIONAL SUMS TO COVER SHIPPING FROM VARIOUS
SITES.

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FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 4873

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8. RE COMPANIES SELECTED TO BID FOR SUPPLY OF MAIN LINE PIPE,
MINISTRY OF PETROLEUM AND ENERGY (MPE) PROJECT MANAGER TOLD
EMBOFF THAT ALL FIRMS WHICH INDICATED INTEREST WERE AUTO-
MATICALLY SENT SPECIFICATIONS AND INVITED TO QUOTE IF THEIR
LETTERHEAD BORE THE API MONOGRAM, WHICH MPE OFFICER SAID IS
EVIDENCE THEY QUALIFIED TO MANUFACTURE PIPE MEETING NECESSARY
STANDARDS. BIDS ARE ALREADY IN--DEADLINE WAS APRIL 21, ONE
MONTH AFTER NOTIFICATION WENT OUT--BUT NOT YET OPENED.

9. COMPETITIVENESS OF U.S. FIRMS IN MAIN LINE PIPE SUPPLY
RACE EVEN MORE DISAPPOINTING THAN REPORTED REFTEL. MPE
OFFICER SAID UNITED STATES STEEL INTERNATIONAL, INC., ALBANY
HOUSE, PETTIT FRANCE, LONDON LW1H 9EQ SENT CABLE TO MPE
REGRETTING UNABLE TO SUBMIT BID BECAUSE UNABLE TO COMPLY WITH

CONTRACT CONDITIONS IN TENDER DOCUMENT. MPE OFFICIAL SAID
TERMS OF CONTRACT WERE DRAWN FROM FOURTH EDITION (1973) OF
LONDON MODEL FORM OF GENERAL CONDITIONS OF CONTRACT PUBLISHED
JOINTLY BY AND AVAILABLE FROM A) INSTITUTE OF ELECTRICAL
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ENGINEERS, SAVOY PLACE, LONDON; BYT INSTITUTE OF MECHANICAL
ENGINEERS, 1 BIRDCAGE WALK, LONDON; AND C) ASSOCIATION OF
CONSULTING ENGINEERS, 36 VICTORIA ST., LONDON.

10. RE SUPPLY OF OTHER EQUIPMENT SUCH AS PUMPS, VALVES, FLANGES,
AND METERS, MPE OFFICER SAID ALL REPEAT ALL FIRMS WHICH INDICATED
INTEREST PRIOR TO DECEMBER 21, 1975 WER PLACED ON LIST ATTACHED
TO TENDER DOCUMENTS MAILED TO PREQUALIFIED CONSTRUCTION AND
DESIGN GROUPS. THESE FIRMS WERE NOT PREQUALIFIED AS SUCH,
AND CONSTRUCTION-ENGINEERING FIRMS ARE NOT LIMITED TO USING
ANY OF THEM.

11. WITH RESPECT TO SUPPLY OF PUMPS, EMBASSY HAS HEARD FROM
INDUSTRY SOURCES THAT FMG DIRECTED ITS CONSULTANT, PENCOL,
TO WRITE SPECIFICATIONS TO FAVOR ELECTRICALLY DRIVEN PUMPS.
THIS WAS RESULT OF PRESSURE TO GIVE NEPA (NIGERIAN ELECTRIC
POWER AUTHORITY) BUSINESS OF SUPPLYING POWER. REPS OF GENERAL
ELECTRIC, UNITED TECHNOLOGIES TURBO POWER SYSTEMS, AND SOLAR
DIVISION OF INTERNATIONAL HARVESTER, ALL OF WHOM MANUFACTURE
GAS TURBINES, ARE QUITE UNHAPPY ABOUT THIS. MOREOVER, NEPA
HAS HARD TIME SUPPLYING CONSISTENT POWER TO PRESENT USERS,
AND PIPELINE PERFORMANCE MAY SUFFER AS RESULT OF THIS DECISION.

12. ACTION RECOMMENDED: A) SUGGEST STATE AND COMMERCE MAKE
NAMES PREQUALIFIED CONSTRUCTION AND ENGINEERING FIRMS AVAILABLE
TO U.S. FIRMS INTERESTED IN UPPLYING EQUIPMENT (OTHER THAN
MAINLINE PIPE FOR WHICH BIDDING IS ALREADY CLOSED) AND OBTAINING
SUBCONTRACTS ON PIPELINE PROJECT AND URGE THESE FIRMS TO FOLLOW
UP DIRECTLY. B) WOULD APPRECIATE KNOWING IF DEPARTMENT
CONSIDERS USE OF CONTRACT MODEL DESCRIBED PARAGRAPH 9 BY
FMG'S BRITISH CONSULTANT CONSTITUTES DISCRIMINATORY TRADE
PRACTICE THAT EMBASSY SHOULD BRING TO ATTENTION OF MPE.
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